

REFERENCE TITLE: medical student loans and scholarships

State of Arizona
Senate
Forty-seventh Legislature
Second Regular Session
2006

SB 1441

Introduced by
Senators Allen, Arzberger, Bee, Cannell, Tibshraeny; Representative Burns
J: Senators Flake, Hellon

AN ACT

AMENDING SECTIONS 15-1721, 15-1722, 15-1723, 15-1724, 15-1726, 15-1727,
36-2172, 36-2174 AND 41-3011.03, ARIZONA REVISED STATUTES; RELATING TO
MEDICAL STUDENT LOANS AND SCHOLARSHIPS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-1721, Arizona Revised Statutes, is amended to
3 read:

4 15-1721. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Board" means the board of medical student loans AND SCHOLARSHIPS.

7 2. "GDP price deflator" means the average of the four implicit price
8 deflators for the gross domestic product reported by the United States
9 department of commerce for the four quarters of the calendar year.

10 3. "Medically underserved area" means an area of this state designated
11 by the department of health services pursuant to title 36, chapter 24,
12 article 1 or by federal law.

13 4. "Medically underserved population" means an area designated by the
14 United States department of health and human services.

15 5. "Rural" means either of the following:

16 (a) A county with a population of less than four hundred thousand
17 persons.

18 (b) A census county division with less than fifty thousand persons in
19 a county with a population of at least four hundred thousand persons.

20 Sec. 2. Section 15-1722, Arizona Revised Statutes, is amended to read:

21 15-1722. Board of medical student loans and scholarships;
22 members; terms; officers; compensation

23 A. The board of medical student loans AND SCHOLARSHIPS is established
24 and consists of the following eight members:

25 1. Two members who are appointed by the chairman of the Arizona
26 medical board.

27 2. Three MEMBERS who are ~~members~~ appointed by the governor and who are
28 knowledgeable in the problems of health care in Arizona.

29 3. One member who is appointed from the staff of the college of
30 medicine of the university of Arizona and who is appointed by the president
31 of the university of Arizona.

32 4. One member who is licensed pursuant to title 32, chapter 17 and who
33 is appointed by the board of osteopathic examiners in medicine and surgery.

34 5. The director of the department of health services or the director's
35 designee who is the ex officio nonvoting eighth member of the board.

36 B. The terms of members are four years beginning on the third Monday
37 in January.

38 C. The board shall select a chairman and vice-chairman and such other
39 officers as it deems necessary.

40 D. Board members shall be compensated as determined pursuant to
41 section 38-611.

1 Sec. 3. Section 15-1723, Arizona Revised Statutes, is amended to read:

2 15-1723. Medical student loans; amount; qualifications;
3 requirements

4 A. The board may grant loans from the medical student loan fund
5 established by section 15-1725 to defray the expenses of the medical
6 education of those students at a public or private school of medicine in this
7 state who intend to enter and complete a residency program approved by the
8 accreditation council for graduate medical education or by the American
9 osteopathic association ~~to become board certified in family practice, general~~
10 ~~pediatrics, obstetrics and gynecology, general internal medicine, or combined~~
11 ~~medicine and pediatrics~~ and who are deemed qualified by the board to receive
12 such loans. Loans shall be granted upon such terms and conditions as may be
13 imposed by the board. One of the qualifications shall be Arizona residency,
14 which shall be determined according to the same criteria prescribed for
15 in-state student status in section 15-1802. ~~The board may grant forty loans~~
16 ~~each year.~~

17 B. The loans granted by the board shall provide for each student
18 tuition plus a living allowance. Beginning in 2003-2004 and continuing each
19 year thereafter, the living allowance shall be no more than sixteen thousand
20 dollars for each student per year adjusted by the percentage change in the
21 GDP price deflator from the second preceding calendar year to the calendar
22 year immediately preceding the current year.

23 C. The board shall make a full and careful investigation of the
24 ability, character and qualification of each applicant through a written
25 application and interview process and determine the applicant's fitness to
26 become a loan recipient. The investigation of each applicant shall include
27 an examination of the ability of the applicant to pay the expenses of a
28 medical education. The board shall give preference to qualified applicants
29 who are unable to pay the expenses of obtaining a medical education and to
30 qualified applicants who demonstrate a commitment to serve in an area listed
31 in subsection E of this section.

32 D. The services to be performed are service to the state by practicing
33 ~~general practice, family practice, general pediatrics, combined medicine and~~
34 ~~pediatrics, obstetrics and gynecology, or general internal~~ medicine in an
35 area listed in subsection E of this section. The service location is subject
36 to approval by the board.

37 E. The board may approve service in any of the following locations:

- 38 1. A rural and medically underserved area of this state.
- 39 2. A medically underserved area of this state.
- 40 3. A medically underserved population of this state.
- 41 4. Any Indian reservation that is located in this state.

42 F. The board may specify an area listed in subsection E of this
43 section in the student's contract to permit the student to seek employment in
44 that area as a physician. After the area is specified by the board, that

1 area shall be designated in the student's subsequent contracts as an approved
2 area and as an approved service location.

3 G. The board shall collect and maintain data on the retention of
4 doctors who practice in an area listed in subsection E of this section. The
5 board shall collect this data for at least ten years after each loan
6 recipient completes the recipient's service commitment.

7 H. Private schools of medicine shall reimburse the university of
8 Arizona for any administrative costs related to the processing of loans for
9 students at private schools of medicine pursuant to subsection A of this
10 section.

11 Sec. 4. Section 15-1724, Arizona Revised Statutes, is amended to read:
12 15-1724. Medical student loans; interest; obligations; penalty;
13 authority of attorney general

14 A. Each applicant who is approved for a loan by the board may be
15 granted a loan for a period of up to five years.

16 B. The loans shall bear interest at the rate of seven per cent per
17 year.

18 C. Each loan shall be evidenced by a contract between the student and
19 the board, acting on behalf of this state. The contract shall provide for
20 the payment by the state of a stated sum or sums defraying the costs of a
21 medical education at a public or private school of medicine in this state and
22 shall be conditioned upon the contractual agreement by the recipient of such
23 loan to complete the service required by section 15-1723. The contract shall
24 provide that the recipient serving as a physician in an area listed in
25 section 15-1723, subsection E may receive compensation from the board for
26 such service and other services designated in the contract. ~~which~~ THIS
27 compensation shall be credited against amounts due under the loan and shall
28 not exceed the amount of the loan and any interest accrued on the loan. Such
29 service shall be full time as determined by the board and shall be for two
30 years or one year of service for each year of loan support, whichever is
31 longer. A loan and the interest accrued thereon may be fully paid with
32 compensation received for services as required by the contract or at the
33 option of the recipient by payment of all monies, interest and penalties for
34 failure to fulfill the contract.

35 D. A loan recipient shall begin the service for which the recipient
36 contracted as a condition of the loan within three years of completion of the
37 recipient's undergraduate medical education unless extended to four years by
38 the board OR WITHIN THREE MONTHS OF FINISHING OR LEAVING A RESIDENCY PROGRAM.
39 A recipient who is ordered into military service or for other cause beyond
40 the recipient's control deemed sufficient by the board is unable to commence
41 the required service within three years of such graduation shall begin
42 service within one year after completing military service or the termination
43 of such other cause.

1 E. If a recipient decides not to fulfill the conditions of the
 2 contract by serving in an area listed in section 15-1723, subsection E, the
 3 contract shall provide that the recipient shall be required to repay the full
 4 amount borrowed, including tuition, at the seven per cent interest rate plus
 5 a penalty for liquidated damages in an amount equivalent to TWICE the full
 6 amount borrowed, including tuition AND INTEREST, less the amount credited for
 7 time actually served in a site approved by the board, to be calculated on a
 8 prorated monthly basis. The board for good reason may provide for extensions
 9 of the period of repayment specified in the loan recipient's contract. The
 10 board may waive the payment of principal, interest and liquidated damages if
 11 it determines that death or permanent physical disability accounts for the
 12 recipient's failure to fulfill the contract.

13 F. If a recipient withdraws or is dismissed from medical school, the
 14 recipient shall be required to repay the loan to the board with interest with
 15 no penalty within one year of withdrawal. The board may for good reason
 16 provide for extensions on the period of repayment.

17 G. On receipt of supporting documentation, the board for good cause
 18 shown may defer the loan recipient's service or payment obligation or may
 19 enter into repayment arrangements with the loan recipient or allow service
 20 that is equivalent to full-time service if the board determines that this
 21 action is justified after a review of the individual's circumstances.

22 H. The attorney general may commence whatever actions are necessary to
 23 enforce the contract and achieve repayment of loans provided by the board
 24 pursuant to this article.

25 Sec. 5. Section 15-1726, Arizona Revised Statutes, is amended to read:
 26 15-1726. Medical student scholarships: amount: qualifications:
 27 requirements

28 A. The board may grant scholarships to ~~first-year~~ medical students who
 29 intend to enter and complete a residency program approved by the
 30 accreditation council for graduate medical education or by the American
 31 osteopathic association ~~to become board certified in family practice, general~~
 32 ~~pediatrics, obstetrics and gynecology, general internal medicine, or combined~~
 33 ~~medicine and pediatrics~~ and who are deemed qualified by the board to receive
 34 such scholarships, from the medical student scholarship fund established by
 35 section 15-1728 to defray the expenses of medical education at a public or
 36 private school of medicine in this state. Scholarships shall be granted upon
 37 such terms and conditions as may be imposed by the board. One of the
 38 qualifications shall be Arizona residency, which shall be determined
 39 according to the same criteria prescribed for in-state student status in
 40 section 15-1802. Preference shall be given to applicants who ~~commit to an~~
 41 ~~Arizona residency program~~ DEMONSTRATE A STRONG COMMITMENT TO SEEK A RESIDENCY
 42 IN THIS STATE AND TO PRACTICE MEDICINE IN THIS STATE.

B. The scholarships granted by the board shall provide for each student tuition plus a living allowance. The living allowance shall be no more than sixteen thousand dollars for each student per year adjusted by the percentage change in the GDP price deflator from the second preceding calendar year to the calendar year immediately preceding the current year.

C. The board shall make a full and careful investigation of the ability, character and qualification of each applicant through a written application and interview process and determine the applicant's fitness to become a scholarship recipient. The investigation of each applicant shall include an examination of the prior academic and extracurricular performance of the applicant. The board shall give preference to qualified applicants who demonstrate superior academic and extracurricular merit, **TO QUALIFIED APPLICANTS WHO ARE UNABLE TO PAY THE EXPENSES OF OBTAINING A MEDICAL EDUCATION** and to qualified applicants who demonstrate a commitment to serve in an **underserved** area **LISTED IN SECTION 15-1723, SUBSECTION E.**

D. Private schools of medicine shall reimburse the university of Arizona for any administrative costs related to the processing of scholarships for students at private schools of medicine pursuant to subsection A of this section.

Sec. 6. Section 15-1727, Arizona Revised Statutes, is amended to read:

15-1727. Medical student scholarships; obligations; penalty; authority of attorney general

A. Each applicant who is approved for a scholarship by the board may be granted a scholarship for a period of up to five years.

B. Each scholarship shall be evidenced by a contract between the student and the board, acting on behalf of this state. The contract shall provide for the payment by the state of a stated sum or sums defraying the costs of a medical education at a public or private school of medicine in this state and shall be conditioned upon the contractual agreement by the recipient of such scholarship to complete the service required. Such service shall be full time as determined by the board and shall be for two years or one year of service for each year of scholarship support, whichever is longer.

C. A scholarship recipient shall begin the service for which the recipient contracted as a condition of the scholarship within three years of completion of the recipient's undergraduate medical education unless extended to four years by the board **OR WITHIN THREE MONTHS OF FINISHING OR LEAVING A RESIDENCY PROGRAM.** A recipient who is ordered into military service or for other cause beyond the recipient's control deemed sufficient by the board is unable to commence the required service within three years of such graduation shall begin service within one year after completing military service or the termination of such other cause.

1 D. If a recipient decides not to fulfill the conditions of the
2 contract by serving in an underserved area, the contract shall provide that
3 the recipient shall be required to repay the full amount of the scholarship,
4 including tuition, at the seven per cent interest rate plus a penalty for
5 liquidated damages in an amount equivalent to TWICE the full amount of the
6 scholarship, including tuition AND INTEREST, less the amount credited for
7 time actually served in a site approved by the board, to be calculated on a
8 prorated monthly basis. The board for good reason may provide for extensions
9 of the period of repayment specified in the scholarship recipient's contract.
10 The board may waive the payment of principal, interest and liquidated damages
11 if it determines that death or permanent physical disability accounts for the
12 recipient's failure to fulfill the contract.

13 E. If a recipient withdraws or is dismissed from medical school, the
14 recipient shall be required to repay the full amount of the scholarship
15 received to the board with interest with no penalty within one year of
16 withdrawal. The board may for good reason provide for extensions on the
17 period of repayment.

18 F. On receipt of supporting documentation, the board for good cause
19 shown may defer the scholarship recipient's service or payment obligation or
20 may enter into repayment arrangements with the scholarship recipient or allow
21 service that is equivalent to full-time service if the board determines that
22 this action is justified after a review of the individual's circumstances.

23 G. The attorney general may commence whatever actions are necessary to
24 enforce the contract and achieve repayment of ~~scholarship~~ SCHOLARSHIPS
25 provided by the board pursuant to this article.

26 Sec. 7. Section 36-2172, Arizona Revised Statutes, is amended to read:

27 36-2172. Health care provider loan repayment program: purpose:
28 eligibility; default; civil penalty; exemption

29 A. The ~~primary~~ HEALTH care provider loan repayment program is
30 established in the department to pay off portions of education loans taken
31 out by physicians, dentists and mid-level providers.

32 B. The department shall prescribe application and eligibility
33 requirements that are consistent with the requirements of the national health
34 service corps loan repayment program (42 Code of Federal Regulations part
35 62). To be eligible to participate in the ~~primary~~ HEALTH care provider loan
36 repayment program, an applicant shall meet all of the following requirements:

37 1. Have completed the final year of a course of study or program
38 approved by recognized accrediting agencies for higher education in a health
39 profession licensed pursuant to title 32 or hold an active license in a
40 health profession licensed pursuant to title 32.

41 2. Demonstrate current or prospective employment with a public or
42 nonprofit entity located and providing services in a federally designated
43 health professional shortage area in this state as designated under 42 Code
44 of Federal Regulations section 62.52.

~~3. Contract with the department to serve and be qualified to serve in dentistry, family practice, pediatrics, obstetrics or internal medicine.~~

C. In addition to the requirements of subsection B of this section, an applicant who is a physician shall meet both of the following requirements:

1. Have completed a professional residency program ~~in family practice, pediatrics, obstetrics or internal medicine.~~

2. Contract with the department to serve for at least two years.

D. A mid-level provider or dentist who participates in the ~~primary~~ HEALTH care provider loan repayment program shall contract with the department to provide services pursuant to this section for at least two years.

E. In making recommendations for the ~~primary~~ HEALTH care provider loan repayment program, the department shall give priority to applicants who intend to practice in rural areas most in need of ~~primary~~ HEALTH care services. In determining the areas most in need of ~~primary~~ HEALTH care services, the department shall consider areas that are either designated as medically underserved by the department or have been assigned to a high-degree-of-shortage group pursuant to 42 Code of Federal Regulations section 62.52.

F. All loan repayment contract obligations are subject to the availability of monies and legislative appropriation. The department may cancel or suspend a loan repayment contract based on unavailability of monies for the program. The department is not liable for any claims, actual damages or consequential damages arising out of a cancellation or suspension of a contract.

G. This section does not prevent the department from encumbering an amount that is sufficient to assure payment of each ~~primary~~ HEALTH care provider loan for a period of up to two years.

H. The department shall issue program monies to pay ~~primary~~ HEALTH care provider loans that are limited to the amount of principal, interest and related expenses of educational loans according to the following schedule:

1. For physicians and dentists:

(a) For the first year of service, a maximum of twenty thousand dollars.

(b) For the second year of service, a maximum of twenty thousand dollars.

(c) For the third year of service, a maximum of twenty-two thousand dollars.

(d) For the fourth year of service, a maximum of twenty-five thousand dollars.

2. For mid-level providers:

(a) For the first year of service, a maximum of seven thousand five hundred dollars.

(b) For the second year of service, a maximum of seven thousand five hundred dollars.

1 (c) For the third year of service, a maximum of nine thousand dollars.

2 (d) For the fourth year of service, a maximum of ten thousand five
3 hundred dollars.

4 I. A physician, dentist or mid-level provider who enters into an
5 original contract may apply for additional contracts for one or two years,
6 subject to approval by the department.

7 J. A participant in the ~~primary~~ HEALTH care provider loan repayment
8 program who breaches the loan repayment contract by failing to begin or to
9 complete the obligated services is liable for liquidated damages in an amount
10 equivalent to twice the total uncredited amount of the loan repayment
11 contracted for on a prorated monthly basis. The department may waive the
12 liquidated damages provisions of this subsection if it determines that death
13 or permanent physical disability accounted for the failure of the participant
14 to fulfill the contract. The department may prescribe additional conditions
15 for default, cancellation, waiver or suspension that are consistent with the
16 national health service corps loan repayment program (42 Code of Federal
17 Regulations sections 62.27 and 62.28).

18 K. Notwithstanding section 41-192, the department may retain legal
19 counsel and commence whatever actions are necessary to collect loan payments
20 and charges if there is a default or a breach of a contract entered into
21 pursuant to this section.

22 Sec. 8. Section 36-2174, Arizona Revised Statutes, is amended to read:
23 36-2174. Rural private health care provider loan repayment
24 program; private practice

25 A. Subject to the availability of monies, the department of health
26 services shall establish a rural private ~~primary~~ HEALTH care provider loan
27 repayment program for physicians, dentists and mid-level providers with
28 current or prospective rural ~~primary-care~~ practices located in medically
29 underserved areas in this state, as prescribed in section 36-2352. To be
30 eligible to participate in the program an applicant shall agree to provide
31 organized, discounted, sliding fee scale services for medically uninsured
32 individuals from families with annual incomes below two hundred per cent of
33 the federal poverty guidelines as established annually by the United States
34 department of health and human services. The department shall approve the
35 sliding fee scale used by the provider. The provider shall assure notice to
36 consumers of the availability of these services. The department shall give
37 preference to applicants who agree to serve in rural areas. For the purposes
38 of this subsection, "rural" means either of the following:

39 1. A county with a population of less than four hundred thousand
40 persons ~~according to the most recent United States decennial census.~~

41 2. A census county division with less than fifty thousand persons in a
42 county with a population of four hundred thousand or more persons ~~according~~
43 ~~to the most recent United States decennial census.~~

1 B. Except as provided in section 36-2172, subsection B, paragraph 2,
2 the program established pursuant to this section and loan repayment contracts
3 made pursuant to this section shall comply with the requirements of section
4 36-2172.

5 C. The department of health services may apply for and receive private
6 donations and grant monies to implement the rural private ~~primary~~ HEALTH care
7 provider loan repayment program established pursuant to this section.

8 Sec. 9. Section 41-3011.03, Arizona Revised Statutes, is amended to
9 read:

10 41-3011.03. Board of medical student loans and scholarships;
11 termination July 1, 2011

12 A. The board of medical student loans AND SCHOLARSHIPS terminates on
13 July 1, 2011.

14 B. Title 15, chapter 13, article 7 is repealed on January 1, 2012.